

PROPOSED RESOLUTION

RES. W-4963
WATER/RSK/BMD/MZ3/ds4

AGENDA ID #12511
Item #7
(Rev. 1) 11/26/2013 1:00 P.M.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-4963
December 5, 2013

RESOLUTION

(RES. W-4963) LITTLE BEAR WATER COMPANY ORDER
AUTHORIZING A GENERAL RATE INCREASE TO
PRODUCE ADDITIONAL ANNUAL REVENUE OF \$80,376
OR 14.17% FOR THE WATER DIVISION AND A
GENERAL RATE DECREASE TO REDUCE ANNUAL
REVENUE BY \$52,086 OR 13.97% FOR THE SEWER
DIVISION IN TEST YEAR 2013.

SUMMARY

By Advice Letter (AL) #63, filed on November 9, 2012, the Little Bear Water Company (Little Bear)¹ – Water Division seeks to increase its gross water revenues by \$288,604, or 56.75%, for Test Year (TY) 2013. The Little Bear – Water Division (Little Bear – Water) rate increase request includes \$78,200 in new water plant in 2012 and \$408,433 in TY 2013 for a total of \$486,633 in water plant additions.

By AL #27-S, filed on November 9, 2012, the Little Bear – Sewer Division (Little Bear – Sewer) seeks to increase its gross sewer revenues by \$87,162, or 24.08%, for TY 2013. The Little Bear – Sewer rate increase request includes \$104,000 in new sewer plant to be completed in TY 2013.

This resolution grants an increase in gross annual revenues of \$80,376, or 14.17%, for Little Bear - Water and a decrease in gross annual revenues of \$52,086, or 13.97%, in TY 2013 for Little Bear - Sewer, which is estimated to provide the authorized rate of return (ROR) of 10.80%. The resulting gross annual revenues equal \$647,447 and \$320,713 for the water and sewer utilities, respectively.

¹ In this document, "Little Bear" or "Little Bear Water Company" refers to Little Bear Water Company's water and sewer divisions collectively.

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This resolution approves \$20,479 in capital improvements completed or expected to be completed by December 31, 2013 and put into service for inclusion into Little Bear - Water's rate base.

BACKGROUND

Little Bear - Water, a Class C water utility, has requested authority under General Order (G.O.) 96-B, General Rule 7.6.2, Water Industry Rule 7.3.3(5), and Public Utilities Code §454 to increase its water revenues by \$288,604, or 56.75%, to provide a ROR on rate base of 11.5%.

Little Bear - Sewer, a Class D sewer utility, has requested authority under G.O. 96-B, General Rule 7.6.2, Water Industry Rule 7.3.3(5), and Public Utilities Code §454 to increase its sewer revenues by \$87,162, or 24.08%, to provide a return on margin of 22.56% for TY 2013.

The purpose of the rate increase request is to recover increased operating expenses and to provide an adequate rate of return or return on margin on plant investment.

Little Bear - Water

The present rates of Little Bear - Water became effective on January 1, 2013, after the approval of AL #62, which requested a 3.0% increase in rates to establish interim rates while the general rate case (GRC) was being processed. The rates in place at the time the GRC was filed became effective on May 7, 2012, through AL #61, in which the Commission authorized a surcharge to recover water quality expenses of \$2,026 paid by Little Bear - Water for 2011. Little Bear - Water's last GRC was approved on January 29, 2009, pursuant to Resolution No. (Res.) W-4736 which adopted total gross revenues of \$565,800 - an increase of \$142,146, or 33.6% - and a rate of return of 12.6%.

Little Bear - Water filed a petition to modify Res. W-4736 on April 1, 2009 to incorporate a revised set of rate schedules to produce the revenue authorized in Res. W-4736. Rates were designed with the understanding that 98% of the existing system contained 3/4" meters. Actually, 98% of the existing system contained 5/8" x 3/4" meters. Decision (D.) 09-09-013 applied the current service charge of the 3/4" meter to the 5/8" x 3/4" meter sizes for each of the two zones. The revised tariff sheets became effective on September 10, 2009.

Little Bear - Sewer

The present rates of Little Bear - Sewer became effective on January 1, 2013, after the approval of AL #26-S, which requested a 3.0% increase in rates to establish interim rates while the GRC was being processed. The rates in place at the time the GRC was filed

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became effective on April 17, 2012, through AL #25-S, in which the Commission authorized an increase in rates proportional to the Consumer Price Index for 2011. Little Bear – Sewer’s last GRC was approved on September 18, 2008 pursuant to Res. W-4708, which adopted an increase of \$123,416, or 55.4%, and a ROR of 13.35%.

DESCRIPTION

Little Bear – Water serves customers in portions of Pine Canyon and vicinity located approximately three miles southwest of King City in Monterey County. The service territory consists of two distinct regions with marked differences in elevation: the Lower Canyon, which ranges in elevation from 300 feet to 600 feet, and the Upper Canyon, which ranges in elevation from 600 feet to 1,300 feet.

The Lower Canyon includes the neighborhoods of Royal Estates, Pine Canyon Mobile Estates, and Pine Meadow. The neighborhoods of the Upper Canyon include Upper Canyon, Vista Place, Deer Creek Subdivision, Highland Hills #1 Subdivision, Highland Hills #2, and Via Canada Subdivision.

Little Bear – Water serves 528 active residential connections in the Lower Canyon and 171 active residential connections in the Upper Canyon for a total of 699 active residential connections spread between 5/8” x 3/4” and 2” meter sizes. In addition, the utility serves seven irrigation customers as part of the Homeowner’s Association (HOA) of the Pine Meadow Estates subdivision and two customers as part of the Deer Creek HOA. The utility estimated a 2012 population of 2,174 residents for the Lower Canyon and 533 residents for the Upper Canyon.

Little Bear – Water’s current supplier of meters discontinued the sale of 5/8” x 3/4” meters and provides the 3/4” meter as the standard meter size. The proportion of connections between the Lower Canyon and Upper Canyon has remained constant at 75% and 25%, respectively, since 2006. The total number of connections has remained constant since 2008. The utility imposes a single rate schedule dependent on location for general metered service covering all customer classifications.

Little Bear – Water’s water source consists of three wells, one active and two operating in a stand-by (auxiliary) mode. The active well has a pumping capacity of 1,200 gallons per minute (gpm) or 1.728 million gallons per day (MGD). The pumping capacity of the three wells sums to 2,250 gpm or 3.24 MGD.

Little Bear – Water currently owns 15 storage reservoirs with a total capacity of 1.208 million gallons (MG). The distribution system consists of 103,686 feet of pipeline of various materials (cast iron, cement – asbestos, or polyvinyl chloride (PVC)) and diameters ranging from 1 inch to 12 inches, not including service piping. The utility is actively replacing the cement – asbestos pipes with C-900 PVC.

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Little Bear – Water owns eight booster pump stations that contain a total of 17 pumps ranging from 5 horsepower (hp) to 15 hp. A fraction of those pumps are auxiliary pumps for use during periods of high water demand. Three power generators are available in the event of a power failure. The Via Canada Subdivision contains three pressure zones while each of the other Upper Canyon neighborhoods contains one. According to its 2012 annual report, Little Bear – Water produced a total of 192,824 ccf (144.2 MG), all from Well #3, and delivered a total of 150,065 ccf (112.2 MG) to its residential customers. Non-revenue water accounted for a total of 42,759 ccf (32.0 MG), or 22.2% of production.

Records obtained from Little Bear – Water indicate the annual water consumption in 2012 to be 97,542 ccf and 52,523 ccf for Lower Canyon and Upper Canyon customers, respectively. On average, Lower Canyon customers consumed 15.2 ccf per month and Upper Canyon residential customers consumed 25.2 ccf per month. Lower Canyon customers individually consumed 40% less water than Upper Canyon customers despite being charged a lower rate for water service.

Of the total water utility customers, Little Bear – Sewer serves 393 customers on a uniform monthly flat rate schedule independent of location. The remaining customers rely on private septic systems for wastewater disposal.

Little Bear – Sewer’s 2012 Annual Discharge Report states that the utility is permitted to treat up to 124,000 gallons per day (gpd). The current flow of wastewater influent averages about 77,000 gpd. The system was designed to treat 160,000 gpd. The distribution system consists of 2,384 feet of 6-inch PVC pipe leading to the treatment system.

The treatment system consists of four ponds and associated pumping facilities.² Untreated domestic wastewater first enters the 1.1 MG capacity primary aerated facultative pond for biological treatment, aeration, and settling. Effluent then flows into the 1.4 MG secondary aerated facultative pond for similar treatment to provide a combined average detention time of about 30 days. Effluent continues to flow by gravity into a 190,000 gallon settling pond and is pumped by two 125 gpm pumps through a 6-inch PVC force main to a 1.3 MG effluent storage pond where it is stored for an average detention time of 17 days. Finally, effluent is pumped approximately five miles westward to an irrigation storage pond that serves a spray irrigation field with a drainage area of approximately eight acres contained by steep hillsides. Little

² Little Bear Water Company AMENDED Report of Waste Discharge for Expansion and Improvements to Wastewater Treatment and Disposal REVISED. Prepared by Kennedy/Jenks Consultants. June 2010. p. 2-1.

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Bear – Sewer is considering expanding their spray field area to accommodate a possible increase in wastewater supply.

Both divisions within Little Bear operate a supervisory control and data acquisition (SCADA) system at the basic level to control water and sewer utility processes and to alert the company of certain conditions within the system. Little Bear is capable of expanding the SCADA system to improve system security and performance.

NOTICE, PROTESTS, AND PUBLIC MEETING

A notice of the proposed rate increase was mailed by Little Bear to its water and sewer customers on November 23, 2012. The notice included a scheduled time and place for the public meeting on December 18, 2012. A revision to this notice was mailed to customers on December 5, 2012 to change the time and location of the public meeting.

The Division of Water and Audits (DWA) received eleven letters in opposition to the proposed increase in rates. In addition, DWA received a petition at the public meeting to deny the request for an increase in water rates which included 43 customer signatures. DWA received a protest from the Central Coast Regional Water Quality Control Board (WQCB) against the request of Little Bear – Sewer to recover “the cost of a new sewer plant.” All protests were timely filed and accepted by DWA in accordance with G.O. 96-B General Rule 7.4.2.

DWA staff and Little Bear representatives held a public participation meeting at 6:00 PM on January 3, 2013 in King City at the Salinas Valley Fairgrounds for the company’s sewer customers and another at 7:00 PM for the company’s water customers. There were approximately 110 customers in attendance at each meeting. DWA staff explained the Commission rate-setting procedures, while Little Bear’s representatives, General Manager Richard Hiwa and consultant Marino Rodriguez, cited justifications for the proposed rate increase. The remainder of the meeting consisted of comments and questions by the customers. The meeting ended around 9:00 PM.

DISCUSSION

Summary of Earnings

Little Bear – Water and Little Bear – Sewer are two separate utilities owned by the same interest (Little Bear and Sierra Vista Properties, an associated company) who benefit by sharing some expenses. Shared expenses shall be allocated between the two utilities proportional to the number of customers served.³ The water utility serves a total of 708

³ In Res. W-4736, the Commission adopted this cost allocation mechanism in its review of Little Bear – Water’s previous GRC.

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customers and the sewer utility serves a total of 393 customers. The allocation of shared operating expenses for the water and sewer utilities based on the number of customers is approximately 64% and 36%, respectively.

DWA performed an independent analysis of the water and sewer utilities' rate increase requests. Appendix A provides a summary of Little Bear – Water and Little Bear – Sewer estimates along with DWA estimates of operating revenues, expenses, and rate base at both present and the utilities' proposed and DWA's recommended rates for TY 2013. Little Bear is in agreement with the summary of earnings attached in Appendix A.

Operating Revenues

The water utility's operating revenues consist of general metered sales from the Lower Canyon and Upper Canyon. Little Bear – Water's prior GRC instituted facilities fees to be collected for new service connections, including changing existing connections. These fees will continue to be collected at the same rate and treated as Contributions-in-Aid-of-Construction (CIAC).

The sewer utility's operating revenues consist of flat rate monthly sales from sewer service customers within its service area.

Operating Expenses

Little Bear and DWA differ in estimates for expenses at the proposed rates. The company's estimate of most of the water and sewer expenses, excluding purchased power and salaries, is based on an average of data from 2009 to 2011 while adding additional inflation factors to escalate to TY 2013.

For some accounts, DWA escalates the necessary and prudent expenses incurred from 2009 through 2011 to TY 2013 using the Commission's Office of Ratepayer Advocates (ORA)⁴ non-labor inflation factors and averages for TY 2013 to estimate a total for the water and sewer utilities⁵. For other accounts, DWA uses other methods to estimate the TY 2013 expenses as explained below. Many of the expenses booked in Materials and other accounts should be tracked as part of utility plant in service when used to improve the water or sewer system.

⁴ The Division of Ratepayer Advocates was renamed the Office of Ratepayer Advocates effective September 26, 2013, pursuant to Senate Bill No. 96 (Budget Act of 2013: public resources), which was approved by the Governor on September 26, 2013.

⁵ ORA. Memo: Estimates of Non-labor and Wage Escalation Rates for 2013 through 2017 from the May 2013 HIS Global Insight U.S. Economic Outlook, June 5, 2013.

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Purchased Power

Purchased power costs include the cost of power and fuel to operate Little Bear – Water’s collection of pumps as part of its supply and distribution system. The main well (Well #3) serves as the primary water source for Little Bear – Water customers. Wells #1 and #2 are operating in a stand-by mode and have not produced water according to annual reports filed since the previous general rate case.

Little Bear – Water purchases power based on Pacific Gas & Electric Co. (PG&E) Schedules A-1, A-6 and E-1XB for purchased power expense. In TY 2013, Little Bear – Water estimates \$71,297 for this expense. In its rate increase request, Little Bear – Water provided power bills for each of its PGE accounts from 2011 and historical power usage records along with pumped water quantities since 2004.

DWA excluded power consumption by Wells #1 and #2 since they are in stand-by mode and do not serve water to the service area. DWA calculated 2011 power consumption to be 393,575 kilowatt-hours (kW-hr) and unit energy consumption of 2.186 kW-hr/ccf. Applying this rate to the estimated TY 2013 production and applying current energy rates, DWA recommends that the amount of \$80,915 be adopted for Purchased Power expenses for TY 2013 with allocations of \$31,169 and \$49,746 to Lower Canyon and Upper Canyon zones, respectively. Although this amount exceeds Little Bear – Water’s estimate, the methodology is a more accurate forecast of expected costs.

DWA conducted a similar analysis of recorded power expenses for Little Bear - Sewer and recommends the amount of \$33,553, which exceeds Little Bear – Sewer’s estimate of \$30,280. Please see Appendix D, Adopted Quantities, for purchased power quantities.

Other Volume Related Expenses

This account includes the cost of chemicals used in water treatment. In TY 2013, Little Bear – Water estimates \$1,222 for other volume-related expenses while Staff recommends \$930. Little Bear – Water averages the past three recorded year’s expenses, then escalates for 2012 and 2013 using factors of 2.4% and 2.2%, respectively. DWA’s estimate used a linear regression to correlate water treatment costs with recorded pumped quantities excluding water losses. This method better reflects the costs of chemicals necessary to treat the expected amount of water produced.

Little Bear – Sewer estimates \$328 for this account while DWA recommends an amount of \$0 for this account since the utility treats its influent wastewater by aeration and settling and is not permitted to use chemical treatment according to the 2012 Annual Discharge Report.

Employee Labor

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This account includes the wages of all employees (other than the manager, owner, or principal stockholders) whose time is utilized in the operation, repair and maintenance of the water and sewer system. For TY 2013, Little Bear estimates \$100,502 and \$54,117 for employee labor for the water and sewer utilities, respectively.

Little Bear – Water employs a water system lead supervisor, who is state-certified in Distribution-3/Treatment-3 (D-3/T-3), and a field operator, who is state-certified in D-1/T-1, for general water system operation, repair and maintenance. Their duties include reading water meters, flushing existing water mains and performing emergency response duties.

Little Bear – Water also has available two employees assigned to the sewer utility to assist in the operation of the water system as needed: a lead supervisor state-certified Grade (G) 3 and a field operator state-certified G1. These employees perform duties related to maintenance and repair of the water system under the supervision of water utility employees.

Little Bear – Water provided wages in 2012 to employees in the amount of \$86,362, which equals 65% of total employee wages. Allowing for the 2013 ORA labor compensation escalation factor of 2.30% and allocating 64% to water operations, DWA recommends the amount of \$86,021 for the water utility and \$48,364 for the sewer utility.⁶ Any capitalized employee labor utilized in the construction or repair of the utility system was capitalized and placed into utility plant in service. This method better reflects the amount of recoverable expenses in this account.

Contract Work

Contract work includes the cost of all repair and maintenance work not performed by Little Bear employees. For TY 2013, Little Bear estimates \$20,752 and \$13,454 for contract work including water testing for the water and sewer utilities, respectively. The company averaged contract work expenses from 2009 through 2011, escalated for 2012 using a factor of 2.8%, added a cost of \$3,200 to establish an asbestos monitoring program in 2012 for the water utility, and escalated that total to 2013 using a factor of 1.9%. The asbestos monitoring program evaluates possible health risks by sampling and testing for asbestos, as required by the California Department of Public Health (CDPH).

DWA evaluated Contract Work and Water Testing separately. DWA escalated Contract Work expenses from 2009 through 2011 to TY 2013 using the ORA non-labor inflation

⁶ ORA. Memo: ORA May 2013 Summary of Compensation Per Hour. June 5, 2013.

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factors and averaged for TY 2013 to estimate a total of \$2,540 and \$1,479 for the water and sewer utilities, respectively. Much of the Contract Work expenses included in the company's estimate were capitalized into rate base previously and were removed from DWA's calculation. This method better reflects the expected ongoing Contract Work costs in utility operations.

Water testing costs, laboratory fees and CDPH inspection fees are included separately under Water Testing. DWA escalated and averaged the Water Testing expenses from 2009 through 2011 to estimate an amount of \$4,145 and \$3,147 for the water and sewer utilities, respectively. The water utility established an asbestos monitoring program in 2012 that will incur an estimated annual cost of \$3,200. Adding this expense, DWA recommends a Water Testing expense amount of \$7,345 for the water utility.

Office Salaries

This account includes the salaries of all employees (other than the manager, owner or principal stockholders) whose time is utilized in billing, collecting, record keeping, or general office work. For TY 2013, Little Bear estimates \$36,021 and \$19,396 for office salaries for the water and sewer utilities, respectively.

Little Bear employs a full-time office manager to work on office duties. Using 2012 salary data from Little Bear, applying the 64% allocation factor and the 2013 labor compensation escalation factor of 2.30%, DWA recommends the amount of \$30,722 and \$17,273 for the water and sewer utilities, respectively. This method better reflects the amount of recoverable expenses in this account.

Management Salaries

This account includes the portion of salaries of managers, owners, partners or principal stockholders of a utility, chargeable to utility operations. For TY 2013, Little Bear estimates \$65,988 and \$35,532 for management salaries for the water and sewer utilities, respectively.

Little Bear's estimate includes the salaries of the General Manager and the members of the company's Board of Directors. However, the role of the Board of Directors in the general operations of the water and sewer utilities was not supported in the work papers and data request responses associated with this GRC. Available information suggests the Board of Directors delegates all the management duties to the General Manager, thus DWA recommends that this account contain only the salary of the General Manager.

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According to Little Bear records, the 2012 salary of the General Manager totaled \$61,420. Applying the 64% allocation factor and the 2013 labor compensation escalation factor of 2.30%, DWA recommends \$39,891 and \$22,428 for management salaries for the water and sewer utilities. Any management labor utilized in the construction or repair of the utility system was capitalized and placed into utility plant in service.

Employee Pensions and Benefits

This account includes all accruals under employee pension plans to which Little Bear has irrevocably committed such funds and payments for employee accident, sickness, hospital and death benefits, or insurance therefore. For TY 2013, Little Bear estimates \$25,970 and \$13,984 for employee pensions and benefits for the water and sewer utilities, respectively.

Little Bear's employee benefits consist only of employee pensions. This is provided through a SEP IRA for each eligible employee. In 2012, Little Bear contributed 10% of full-time employee salaries into employee pensions. DWA authorizes Little Bear to continue contributing 10% of its full-time employee salaries. The company did not provide additional information that justified ratepayer recovery of an increase in the contribution rate. DWA recommends amounts of \$15,663 and \$8,806 for employee pensions and benefits for the water and sewer utilities respectively.

Uncollectible Accounts Expense

This account covers the amount Little Bear is unable to collect from its customers for services provided. For TY 2013, Little Bear estimated \$1,993 and \$1,527 at proposed rates for uncollectible accounts expense for water and sewer operations, respectively. Based on an average of the uncollectibles percentage from 2009 through 2011, DWA recommends an amount of \$1,617 and \$887 for uncollectibles for water and sewer operations, respectively. This method better reflects the TY 2013 expected uncollectible accounts expense.

Office Services and Rentals

For TY 2013, Little Bear – Water estimated office services and rentals as 60% of the annual office space rent (\$9,600) which amounts to \$5,760. Monthly rent expense equals \$800 per month or \$9,600 per year. From this amount, DWA recommends 64%, or \$6,145, to be allocated to the water utility and 36%, or \$3,455, to be allocated to the sewer utility.

Insurance

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This account includes all insurance costs including workers' compensation, liability, vehicle, fire, and theft. Little Bear carries auto, business, and workers' compensation insurance. For TY 2013, insurance expenses were estimated using the current insurance policy rates and amounts as they apply to the recommended water and sewer utility salaries. Little Bear estimates \$25,508 and \$15,636 for insurance for the water and sewer utilities, respectively, using the current insurance policy amounts plus a 5% increase for water operations.

DWA recommends the amount of \$21,129 and \$11,879 for insurance expenses for the water and sewer utilities, respectively. DWA relied on the current auto and business insurance policy rates and applied an average labor and office/clerical employee workers' compensation policy rate to the estimated TY 2013 salaries to calculate the total insurance expense. This method better accounts for the expected insurance costs for TY 2013.

Regulatory Commission Expense

This account includes all expenses (except salaries of regular utility employees) incurred by the company in connection with formal cases before the Commission. The Public Utilities Reimbursement Fee paid by all customers is not included in this account. For TY 2013, Little Bear estimates \$9,700 and \$6,400 for regulatory commission expense for the water and sewer utilities, respectively. Little Bear contracts the services of an independent consultant to prepare filings. Little Bear expects to incur lower costs for this account before it files its next GRC.

DWA estimates \$6,850 and \$3,770 for regulatory commission expenses for the water and sewer utilities, respectively, considering the expected fees to be charged to the utility over an amortization period of five years.

Rate Base and Plant Investment

In its GRC work papers, Little Bear – Water presented a list of proposed water plant additions in 2012 and 2013 totaling \$486,633. The additions include the continuance of the utility's gate value program, a replacement booster station, upgrades to the SCADA system, CDPH mandated reservoir improvements, construction of several water storage facilities, a new Upper Canyon booster station with auxiliary power generator, a new online disinfection residual monitoring system, and capitalized interest.

Additionally, Little Bear began developing a new website that will allow the company to communicate with its customers in a more timely and efficient manner.

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DWA investigated the necessity and prudence of these proposed additions and recommends the following item to be included in rate base for TY 2013:

- 1) Two gate valves (2 ½-inch and 6-inch) have been installed in the Upper Canyon area and two more are expected to be installed prior to December 31, 2013. The cost of installing the two proposed additional valves is estimated from the average of the two installed previously. In addition, the utility repaired an 80 – foot section of 10-inch water main running between the Well #3 and the Well #1 and #2 sites and reinstalled an 80-foot x 90-foot x 3-foot protective cement pad. The additions total \$20,479.

DWA recommends the following items to be included in rate base pending a reasonableness review of the necessary and prudent expenses once they have been determined to be used and useful.

- 1) A new booster pump station (Upper Canyon #2) is planned to replace the existing Upper Canyon #1 currently located at a site that lacks reasonably safe access by utility personnel. To comply with G.O. 103-A Rule 5.A., Little Bear – Water will construct a new booster pump station on a parcel of land within its existing service area donated to the company by its customers. The total project cost including surveying, permitting, construction, and materials is estimated to be \$51,167. Once completed, Little Bear – Water will retire the existing Upper Canyon booster pump station.

The utility should file a Tier 2 rate base offset advice letter to include the necessary and prudent costs for placing the Upper Canyon #2 booster station into service once it is determined to be used and useful. The replaced booster station shall be retired before Upper Canyon #2 is placed into rate base. The scope of the project shall be consistent with Little Bear – Water’s response to DWA’s data request dated March 14, 2013. The maximum cost placing the Upper Canyon #2 station into service shall not exceed \$51,167 as estimated in the March 14, 2013 data request response. Little Bear – Water shall file the Tier 2 advice letter prior to the utility’s next GRC or within five years of the effective date of this resolution, whichever occurs first.

- 2) In 2012, Little Bear began developing a new website that will allow the company to communicate with its water and sewer customers in a more timely and efficient manner. The estimated cost of the design and implementation of this website is \$7,550, which includes basic design charges of \$1,850, secondary additions of \$2,700, and final additions of \$3,000. The basic design consists of a home page, contact information, rates and charges, notifications, and conservation information. The second phase proposes to add a 24-hour

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telephone system and a reverse 911/Outbound Emergency System. The final implementation phase adds a link to the annual consumer confidence report and information on the company's potential conservation and low-income programs.

Little Bear should file a Tier 2 rate base offset advice letter to include the necessary and prudent costs for placing the new website into service once it is determined to be used and useful. The scope of the project shall be consistent with Little Bear's response to DWA's data request dated March 6, 2013. The maximum cost of placing the new website into service shall not exceed \$51,167 as estimated in the March 14, 2013 data request response. The total project cost shall be allocated to the water and sewer utilities as specified under the Summary of Earnings discussion above. Little Bear shall file the Tier 2 advice letter prior to the water and sewer utilities' next GRC or within five years of the effective date of this resolution, whichever occurs first.

DWA recommends the following proposed water plant additions to be excluded from rate base for TY 2013.

Upgrade SCADA Program

Little Bear is already operating its SCADA system with the basic services for its water and sewer operations. The company can continue to operate the system in its current state although upgrades can potentially benefit ratepayers. However, the company did not provide sufficient documentation of the estimated cost or construction schedule. Authorization to recover these costs will be considered in the next GRC.

Reservoir Upgrades

The CDPH Sanitary Survey Report and Findings required Little Bear – Water to make improvements to the Main Storage Reservoirs, the Via Canada Storage Reservoir, and the Highland Hills Storage Reservoir. Little Bear – Water made these improvements in 2012 and included them in the 2012 end-of-year plant in service. Thus, this proposed addition should not be included in TY 2013.

Construction of Additional Water Storage Facilities

Little Bear – Water proposed the construction of three water storage tanks or reservoirs: 1) steel bolted storage tank for the Upper Canyon Zone (60,000 gal), 2) auxiliary storage reservoir for Highland Hills #1 (60,000 gal), and 3) auxiliary storage reservoir for Highland Hills #2 (60,000 gal). Little Bear – Water argues that the additional storage facilities will increase the utility's water storage capacity to help provide fire protection

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flows and will put the utility in compliance with the CDPH water system demand requirements based on the projected increase in customers in the future.

Little Bear – Water currently meets the CDPH requirements under California Code of Regulations, Title 22, Section 64554 for new and existing storage capacity to serve its current number of customers. Additionally, a 2012 report by the Insurance Service Office (ISO), a private organization that evaluates the potential for property damage and other harm due to inadequate fire protection, awarded Little Bear – Water a score of 5 out of 9, suggesting that the utility is providing average fire protection to its customers. ISO did not recommend additional storage facilities.

Auxiliary Power Generator

Little Bear – Water proposes an auxiliary power source for the Upper Canyon #2 Booster Station. Since the new booster station replaces Upper Canyon #1, Little Bear – Water does not require an additional auxiliary power source. The utility can use the existing power generators held in plant.

Disinfection Residual Monitoring

Little Bear – Water proposes to add an online monitoring system for disinfection residuals to comply with the CDPH Groundwater Rule. Effective August 18, 2011, CDPH adopted the federal Ground Water Rule that establishes a risk-based approach to target groundwater systems that are vulnerable to fecal contamination. Until a sanitary survey is conducted for this purpose, it is uncertain whether CDPH will require Little Bear – Water to monitor the effectiveness of its disinfection process. Thus, the utility should postpone recovery of the monitoring system in rates until it is determined to be necessary.

Capitalized Interest

Little Bear – Water proposes to add capitalized interest to its plant accounts. DWA considers interest expenses as an item to be considered under taxes other than income and does not allow interest to be capitalized and placed into plant accounts.

Little Bear – Sewer, in its GRC work papers, estimated TY 2013 plant additions to be \$104,000. The estimated additions include \$24,000 for the design and construction of a sludge drying bed; \$5,000 for design and installation of a security system for the wastewater treatment facility; \$65,000 for an auxiliary power source for the Wastewater Treatment Facility, Site 2 (100 hp); and \$10,000 for construction of a bridge for a monitoring dock. Of these projects, Little Bear – Sewer provided project details of the sludge drying bed only. According to the utility's response dated March 20, 2013, the

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sludge drying bed project is estimated to cost \$22,100.

Currently, the existing wastewater treatment facility meets the capacity requirements of the customers within the existing service area according to Little Bear – Sewer’s 2012 Annual Discharge Report. The sludge drying bed is part of the wastewater treatment system expansion project that is being considered to meet the wastewater treatment demand of new customers expected to join the sewer system in the future. The sewer utility shall include the necessary and prudent costs of this project in rates only when it is determined to be used and useful.

DWA’s review shows that Little Bear – Sewer plans to expand its wastewater treatment facility in the future to accommodate the needs of approximately 300 additional customers as part of an approved Monterey County subdivision currently located outside of Little Bear – Sewer’s service territory. The WQCB requires Little Bear – Sewer to consider wastewater treatment regionalization in compliance with its Basin Plan objectives before it can approve an expansion or upgrade of the existing facility to meet the needs of the additional customers.

Rate Design

In 1996, Res. 3981-W consolidated Little Bear – Water’s three existing rate zones into two (Lower Canyon and Upper Canyon) based on the cost of service differential between the lower and higher elevation areas. Existing customers bore the cost of additional plant required to provide service to new customers until 2009 when the Commission passed Res. 4736-W, which established facilities fees applicable to new customers to cover these additional costs. Existing customers are not required to finance plant additions with the exception of maintenance and repair of the existing system.

In this resolution, DWA proposes a uniform service charge applicable to all Little Bear – Water customers based on meter size. The proposed rate design recognizes that the utility is operating as one contiguous system and desires to set rates fairly among its customers. DWA chose to allocate 65% of the utility’s fixed costs to the service charge to ensure the collection of Little Bear – Water’s revenue requirement from all customers in accordance with the Commission’s rate design policy.⁷ DWA recognizes the burden this places on fixed- and low-income customers and sets the quantity rate for Lower Canyon customers at the present rate. The increase in the quantity rate for Upper Canyon customers reflects the additional cost-of-service required for that area and the need to establish conservation-based rates for customers who consume larger quantities of water.

⁷ D. 92-03-093. p. 31.

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Rate of Return

Previously, the Commission authorized a ROR of 12.6% for Little Bear – Water and 13.35% for Little Bear – Sewer. Both utilities were categorized as Class D since each served 500 or fewer connections. At present, Little Bear – Water serves 708 connections and is categorized as Class C. In its GRC, Little Bear – Water requested a ROR of 11.5% and Little Bear – Sewer requested a Rate of Margin (ROM) of 22.56% as an alternative to the ROR because of its low rate base and high operating expenses.

DWA determined that the water and sewer utilities should receive the same ROR since both utilities share many of the same expenses and are both owned and operated by Little Bear. The recommended range of ROR for Class C utilities is 10.30% to 11.30%⁸. DWA determined from its investigation that Little Bear operates and manages its utilities at an average level compared with other regulated public utilities. Thus, DWA recommends a ROR of 10.80% which is at the midpoint of the recommended range.

Rates

To alleviate the impact of the water rate increase on its low-income customers, Little Bear – Water proposes to gradually implement the authorized monthly service charges over two years. DWA and Little Bear – Water agreed to set the service charges to recover 90% of the authorized TY 2013 revenue requirement over the first twelve months. For TY 2013, the monthly service charges will be set at those rates listed in Appendix E for twelve months beginning with the effective date of the advice letter filed to implement the rates. The service charges will increase to those rates listed in Appendix B at the end of the first twelve month period.

The proposed rate design affects Little Bear – Water customers across the service area in the same way; the average customer in the Lower Canyon area will see an estimated monthly bill increase of \$7.41, or 13.9%, and the average customer in the Upper Canyon area will see an estimated monthly bill increase of \$14.61, or 14.5% (see Appendix C).

Little Bear - Sewer will continue to charge a flat monthly rate for sewer service. The new rate will be set at \$68.01, a decrease of \$11.04, or 14.0%, from present rates (see Appendix C).

Little Bear – Water serves nine irrigation customers – members of local HOAs – under the general metered water service schedules. These nine HOA accounts use water for

⁸ DWA. Memo: Rates of Return and Rates of Margin for Class C and Class D Water Utilities. March 22, 2013.

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outdoor irrigation and other uses. Little Bear – Water should file an advice letter to establish a separate schedule for metered irrigation service applicable to these customers.

COMPLIANCE

Little Bear is currently providing water and sewer service to its customers according to the standards of G.O. 103-A. Little Bear has been filing annual reports with the Division.

However, DWA noticed several discrepancies between Little Bear’s records and its submitted annual reports. Little Bear shall ensure that its annual reports, including its annual discharge reports, contain correct and complete information that confirms the physical and financial operations of the company. In addition, Little Bear – Water should list the water delivered to the metered customers of the Lower Canyon and Upper Canyon separately in Schedule D-7.

As the company continues to improve its distribution system, Little Bear should make reasonable efforts to comply with G.O. 103-A Rule VII.4.A and VII.4.B concerning the availability of adequate system plans, maps, drawings and other records.

Additionally, the company should include the required information on its customer bills as stated in G.O. 103-A Rule V.2 and illustrated in Appendix D.

The company received and resolved three complaints since its last GRC and there are no outstanding Commission orders requiring system improvements. Little Bear has no outstanding compliance orders and has been filing annual reports as required. The CDPH performs inspections annually and finds that the system has no major deficiencies.

COMMENTS

Public Utilities Code Section 311(g) (1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, this proposed resolution is being mailed to all parties and made available for public comment on October 23, 2013. No comments were received.

FINDINGS

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1. The Summary of Earnings (Appendix A) recommended by the Division of Water and Audits is reasonable and should be adopted.
2. The rates recommended by the Division of Water and Audits (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the recommendations of the Division of Water and Audits are reasonable and should be adopted.
4. The water rate increase and sewer rate decrease authorized herein is justified and the resulting rates are just and reasonable.
5. The Little Bear Water Company serves nine irrigation water customers on its general metered service schedule.
6. It is reasonable to allocate 64% of Little Bear Water Company's operating expenses to its water utility and 36% of its operating expenses to its sewer utility based on the number of connections served.
7. It is reasonable for Little Bear Water Company – Water Division to request through a Tier 2 advice letter to place the necessary and prudent costs for the Upper Canyon booster station in rate base when this plant becomes used and useful.
8. It is reasonable for Little Bear Water Company to request through a Tier 2 advice letter to place the necessary and prudent costs for the design and implementation of the new website in rate base when this plant becomes used and useful, in accordance with the cost allocation method discussed above.
9. Little Bear Water Company – Sewer Division's existing wastewater treatment facility meets the needs of the customers within the boundaries of the current service area.
10. Any improvements to the capacity of the existing wastewater treatment facility require the approval of the Central California Regional Water Quality Control Board.
11. It is reasonable that Little Bear Water Company should receive the same rate of return on rate base for its water and sewer utilities.
12. It is reasonable that the authorized monthly service charges for the Little Bear Water Company – Water Division be implemented over two years.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code, Section 454, for Little Bear Water Company to file a Tier 1 advice letter for its water and sewer utilities to incorporate the Summary of Earnings (Appendix A), the phase-in rate schedules (Appendix E), and concurrently to cancel its presently effective Schedule 1-LC (Metered Service – Lower Canyon), Schedule No. 1-UC (Metered Service – Upper Canyon), and

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Schedule No. SS-1, Residential Sewer Service. The effective date of the revised rate schedule shall be 5 days after the date of filing.

2. Authority is granted under Public Utilities Code, Section 454, for Little Bear Water Company to file a Tier 1 advice letter for its water and sewer utilities to incorporate the final rate schedules (Appendix B), and concurrently to cancel its presently effective Schedule 1-LC (Metered Service – Lower Canyon), Schedule No. 1-UC (Metered Service – Upper Canyon), and Schedule No. SS-1, Residential Sewer Service. The effective date of the final rate schedule shall be twelve months after the effective date of the advice letter authorized in Ordering Paragraph 1.
3. Little Bear Water Company – Water Division is authorized to increase the TY 2013 water revenues by \$80,376, or 14.17%.
4. Little Bear Water Company – Sewer Division is authorized to decrease the TY 2013 sewer revenues by \$52,086, or 13.97%.
5. The quantities (Appendix D) used to develop the Division of Water and Audits’s recommendations are adopted.
6. Little Bear Water Company – Water Division may file a Tier 2 advice letter to recover the necessary and prudent costs of the Upper Canyon #2 booster station after it is determined to be used and useful as described in the Rate Base and Plant Investment section of this resolution.
7. Little Bear Water Company may file a Tier 2 advice letter to recover the necessary and prudent costs of the design and implementation of the new website after it is determined to be used and useful in accordance with the cost allocation method as described in the Rate Base and Plant Investment section of this resolution.
8. Little Bear Water Company – Sewer Division may not file for approval from the Commission any improvements to its existing wastewater treatment facility that would increase the facility’s current permitted capacity unless authorized by the Central California Regional Water Quality Control Board.
9. Little Bear Water Company – Water Division is authorized to file a Tier 1 advice letter to recover the balance between interim rates approved by AL #62 and AL #26-S and the phased-in rates shown in Appendix E and approved by this resolution in Ordering Paragraph 1.
10. This resolution is effective today.

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I certify that the foregoing resolution was duly introduce, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 5, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

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APPENDIX A Little Bear Water Company-Water Division SUMMARY OF EARNINGS TEST YEAR 2013

Acct	Item	Utility Estimated		Division Estimated		Division
		Present Rates	Proposed Rates	Present Rates	Proposed Rates	Recommended Amounts
<u>Operating Revenue</u>						
470	Metered	\$ 508,591	\$ 797,195	\$ 567,071	\$ 647,447	\$ 647,447
	Total Operating Revenue	\$ 508,591	\$ 797,195	\$ 567,071	\$ 647,447	\$ 647,447
<u>Operating Expenses</u>						
615	Purchased Power	\$ 71,297	\$ 71,297	\$ 80,915	\$ 80,915	\$ 80,915
618	Other Volume Related Expenses	\$ 1,222	\$ 1,222	\$ 930	\$ 930	\$ 930
630	Employee Labor	\$ 100,502	\$ 100,502	\$ 86,021	\$ 86,021	\$ 86,021
640	Materials	\$ 18,460	\$ 18,460	\$ 2,401	\$ 2,401	\$ 2,401
650	Contract Work	\$ 10,190	\$ 10,190	\$ 2,540	\$ 2,540	\$ 2,540
	Water Testing	\$ 10,562	\$ 10,562	\$ 7,345	\$ 7,345	\$ 7,345
660	Transportation Expenses	\$ 27,560	\$ 27,560	\$ 20,635	\$ 20,635	\$ 20,635
664	Other Plant Maintenance	\$ 6,712	\$ 6,712	\$ 4,029	\$ 4,029	\$ 4,029
670	Office Salaries	\$ 36,021	\$ 36,021	\$ 30,722	\$ 30,722	\$ 30,722
671	Management Salaries	\$ 65,988	\$ 65,988	\$ 39,891	\$ 39,891	\$ 39,891
674	Employee Benefits	\$ 25,970	\$ 25,970	\$ 15,663	\$ 15,663	\$ 15,663
676	Uncollectibles Expense	\$ 1,271	\$ 1,993	\$ 1,416	\$ 1,617	\$ 1,617
678	Office Services & Rentals	\$ 5,760	\$ 5,760	\$ 6,145	\$ 6,145	\$ 6,145
681	Office Supplies & Expenses	\$ 21,390	\$ 21,390	\$ 18,739	\$ 18,739	\$ 18,739
682	Professional Services	\$ 17,200	\$ 17,200	\$ 3,411	\$ 3,411	\$ 3,411
684	Insurance	\$ 25,508	\$ 25,508	\$ 21,129	\$ 21,129	\$ 21,129
688	Regulatory Commission Expense	\$ 9,700	\$ 9,700	\$ 6,580	\$ 6,580	\$ 6,580
689	General Expenses	\$ 7,073	\$ 7,073	\$ 5,736	\$ 5,736	\$ 5,736
	Subtotal	\$ 462,386	\$ 463,108	\$ 354,249	\$ 354,449	\$ 354,449
403	Depreciation	\$ 62,913	\$ 62,913	\$ 53,298	\$ 53,298	\$ 53,298
408	Taxes other than Income	\$ 31,597	\$ 31,597	\$ 23,038	\$ 23,038	\$ 23,038
410	Federal Income Taxes	\$ -	\$ 51,024	\$ 18,708	\$ 48,168	\$ 48,168
409	State Income Taxes	\$ 800	\$ 16,852	\$ 9,196	\$ 16,142	\$ 16,142
	Franchise Fees	\$ 10,172	\$ 15,944	\$ 11,341	\$ 12,949	\$ 12,949
	Total Deductions	\$ 567,868	\$ 641,438	\$ 469,831	\$ 508,044	\$ 508,044
	Net Revenue	\$ (59,277)	\$ 155,757	\$ 97,239	\$ 139,402	\$ 139,402
<u>Rate Base</u>						
	Average Plant	\$ 1,990,387	\$ 1,990,387	\$ 1,926,323	\$ 1,926,323	\$ 1,926,323
	CWIP	\$ 4,058	\$ 4,058	\$ -	\$ -	\$ -
	Ave. Accumulated Depreciation	\$ 614,560	\$ 614,560	\$ 603,341	\$ 603,341	\$ 603,341
	Net Plant	\$ 1,379,885	\$ 1,379,885	\$ 1,322,983	\$ 1,322,983	\$ 1,322,983
	<u>Less</u> Advances	\$ -	\$ -	\$ -	\$ -	\$ -
	Contributions	\$ 64,078	\$ 64,078	\$ 63,222	\$ 63,222	\$ 63,222
	<u>Plus</u> Working Cash	\$ 38,592	\$ 38,592	\$ 29,521	\$ 29,537	\$ 29,537
	Materials & Supplies	\$ -	\$ -	\$ 1,476	\$ 1,476	\$ 1,476
	Rate Base:	\$ 1,354,399	\$ 1,354,399	\$ 1,290,757	\$ 1,290,774	\$ 1,290,774
	Rate of Margin/Rate of Return	-4.38%	11.50%	7.53%	10.80%	10.80%

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APPENDIX A (cont.)
Little Bear Water Company-Sewer Division
SUMMARY OF EARNINGS
TEST YEAR 2013

Acct	Item	Utility Estimated		Division Estimated	
		Present Rates	Requested Amounts	Present Rates	Recommended Rates
<u>Operating Revenue</u>					
460	Unmetered Revenue	\$ 361,953	\$ 449,115	\$ 372,800	\$ 320,713
	Total Operating Revenue	\$ 361,953	\$ 449,115	\$ 372,800	\$ 320,713
<u>Operating Expenses</u>					
615	Purchased Power	\$ 30,280	\$ 30,280	\$ 33,553	\$ 33,553
618	Other Volume Related Expenses	\$ 328	\$ 328	\$ -	\$ -
630	Employee Labor	\$ 54,117	\$ 54,117	\$ 48,364	\$ 48,364
640	Materials	\$ 3,779	\$ 3,779	\$ 872	\$ 872
650	Contract Work	\$ 9,250	\$ 9,250	\$ 1,479	\$ 1,479
	Water Testing	\$ 4,204	\$ 4,204	\$ 3,147	\$ 3,147
660	Transportation Expenses	\$ 18,374	\$ 18,374	\$ 14,360	\$ 14,360
664	Other Plant Maintenance	\$ 12,809	\$ 12,809	\$ 6,833	\$ 6,833
670	Office Salaries	\$ 19,396	\$ 19,396	\$ 17,273	\$ 17,273
671	Management Salaries	\$ 35,532	\$ 35,532	\$ 22,428	\$ 22,428
674	Employee Benefits	\$ 13,984	\$ 13,984	\$ 8,806	\$ 8,806
676	Uncollectibles Expense	\$ 1,231	\$ 1,527	\$ 1,031	\$ 887
678	Office Services & Rentals	\$ 3,840	\$ 3,840	\$ 3,455	\$ 3,455
681	Office Supplies & Expenses	\$ 11,051	\$ 11,051	\$ 10,562	\$ 10,562
682	Professional Services	\$ 43,196	\$ 43,196	\$ 5,202	\$ 5,202
684	Insurance	\$ 15,636	\$ 15,636	\$ 11,879	\$ 11,879
688	Regulatory Commission Expense	\$ 6,400	\$ 6,400	\$ 3,770	\$ 3,770
689	General Expenses	\$ 6,482	\$ 6,482	\$ 2,640	\$ 2,640
	Subtotal	\$ 289,889	\$ 290,185	\$ 195,653	\$ 195,509
403	Depreciation	\$ 22,761	\$ 22,761	\$ 25,924	\$ 25,924
408	Taxes other than Income	\$ 18,912	\$ 18,912	\$ 11,055	\$ 11,055
410	Federal Income Taxes	\$ 21,818	\$ 31,381	\$ 29,237	\$ 18,605
409	State Income Taxes			\$ 11,435	\$ 8,658
	Franchise Fees	\$ 7,239	\$ 8,982	\$ 7,239	\$ 6,934
	Total Deductions	\$ 360,619	\$ 372,221	\$ 280,544	\$ 266,685
	Net Revenue	\$ 1,334	\$ 76,894	\$ 92,256	\$ 54,028
<u>Rate Base</u>					
	Average Plant	\$ 1,073,265	\$ 1,073,265	\$ 1,042,244	\$ 1,042,244
	CWIP	\$ 3,022	\$ 3,022	\$ -	\$ -
	Ave. Accumulated Depreciation	\$ 516,376	\$ 516,376	\$ 534,297	\$ 534,297
	Net Plant	\$ 559,911	\$ 559,911	\$ 507,946	\$ 507,946
	<u>Less</u> Advances	\$ -	\$ -	\$ -	\$ -
	Contributions	\$ 28,416	\$ 28,416	\$ 25,393	\$ 25,393
	<u>Plus</u> Working Cash			\$ 16,304.45	\$ 16,292.44
	Materials & Supplies			\$ 1,414	\$ 1,414
	Rate Base:	\$ 531,495	\$ 531,495	\$ 500,272	\$ 500,260
	Return on Margin:	\$ 76,434	\$ 76,894		
	Rate of Return	22.56%	22.56%	18.44%	10.80%

End of Appendix A

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Schedule No. 1-LC METERED SERVICE (Lower Canyon)

APPLICABILITY

Applicable to all metered water service furnished in Little Bear District (Lower Canyon).

TERRITORY

Portions of Pine Canyon and vicinity, located 3 miles southwest of King City, Monterey County.

RATES

Monthly Quantity Rate:
All water, per 100 cu. ft.

\$ 1.681

Service Charge:

Per Meter
Per Month

For	5/8 x 3/4 - inch meter	\$ 35.50
For	3/4 - inch meter	35.50
For	1 - inch meter	59.16
For	1-1/2 - inch meter	118.33
For	2 - inch meter	189.33

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge computed at the

SPECIAL CONDITIONS

1. All bills are subject to the Reimbursement fee set forth in Schedule UF.

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Schedule No. 1-UC METERED SERVICE (Upper Canyon)

APPLICABILITY

Applicable to all metered water service furnished in Little Bear District (Upper Canyon).

TERRITORY

Portions of Pine Canyon and vicinity, located 3 miles southwest of King City, Monterey County.

RATES

Monthly Quantity Rate:
All water, per 100 cu. ft.

\$ 3.199

Service Charge:

Per Meter
Per Month

For	5/8 x 3/4 - inch meter	\$ 35.50
For	3/4 - inch meter	35.50
For	1 - inch meter	59.16
For	1-1/2 - inch meter	118.33
For	2 - inch meter	189.33

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge computed at the

SPECIAL CONDITIONS

1. All bills are subject to the Reimbursement fee set forth in Schedule UF.

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Schedule No. SS-1 RESIDENTIAL SEWER SERVICE

APPLICABILITY

Applicable to all residential sewer service.

TERRITORY

Royal Estates Unit No. 3 and vicinity, Monterey County.

RATES

	Per Service Connection <u>Per Month</u>
For a single residential unit	\$ 68.01
For each additional single-family unit on the same premise, and served from the same service connection	\$ 68.01

SPECIAL CONDITIONS

1. The above rates apply to a service connection not larger than four inches in diameter.
2. All bills are subject to the Reimbursement fee set forth in Schedule No. UF.

End of Appendix B

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Little Bear Water Company Lower Canyon

COMPARISON OF RATES TEST YEAR 2013

<u>Tariff Description</u>	<u>Tariff Rates</u>		<u>Recommended Increase</u>	
	<u>Interim</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
Service Charge:				
5/8 x 3/4 - inch meter	\$28.09	\$35.50	\$7.41	26.4%
3/4 - inch meter	\$28.09	\$35.50	\$7.41	26.4%
1 - inch meter	\$46.81	\$59.16	\$12.35	26.4%
1-1/2 - inch meter	\$93.65	\$118.33	\$24.68	26.4%
2 - inch meter	\$149.84	\$189.33	\$39.49	26.4%
Quantity Charge:				
Per CCF	\$1.681	\$1.681	\$0.00	0.0%

A monthly bill comparison for a customer with a 5/8 x 3/4 -inch meter is shown below:*

<u>Usage 100 cu. ft.</u>	<u>Tariff Rates</u>		<u>Recommended Increase</u>	
	<u>Interim</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
0	\$28.09	\$35.50	\$7.41	26.4%
2	\$31.45	\$38.86	\$7.41	23.6%
5	\$36.50	\$43.90	\$7.41	20.3%
10	\$44.90	\$52.31	\$7.41	16.5%
15	\$53.31	\$60.71	\$7.41	13.9%
20	\$61.71	\$69.12	\$7.41	12.0%
30	\$78.52	\$85.93	\$7.41	9.4%

* includes service charge

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Little Bear Water Company Upper Canyon

COMPARISON OF RATES TEST YEAR 2013

<u>Tariff Description</u>	<u>Tariff Rates</u>		<u>Recommended Increase</u>	
	<u>Interim</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
Service Charge:				
5/8 x 3/4 - inch meter	\$30.84	\$35.50	\$4.66	15.1%
3/4 - inch meter	\$30.84	\$35.50	\$4.66	15.1%
1 - inch meter	\$51.41	\$59.16	\$7.75	15.1%
1-1/2 - inch meter	\$102.81	\$118.33	\$15.52	15.1%
2 - inch meter	\$164.50	\$189.33	\$24.83	15.1%
Quantity Charge:				
Per CCF	\$2.801	\$3.199	\$0.40	14.2%

A monthly bill comparison for a customer with a 5/8 x 3/4 -inch meter is shown below:*

<u>Usage 100 cu. ft.</u>	<u>Tariff Rates</u>		<u>Recommended Increase</u>	
	<u>Interim</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
0	\$30.84	\$35.50	\$4.66	15.1%
2	\$36.44	\$41.90	\$5.45	15.0%
5	\$44.85	\$51.49	\$6.65	14.8%
10	\$58.85	\$67.49	\$8.64	14.7%
15	\$72.86	\$83.48	\$10.63	14.6%
20	\$86.86	\$99.48	\$12.62	14.5%
25	\$100.87	\$115.47	\$14.61	14.5%
30	\$114.87	\$131.47	\$16.60	14.4%

* includes service charge

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Little Bear Water Company

COMPARISON OF RATES TEST YEAR 2013

<u>Tariff Description</u>	<u>Tariff Rates</u>		<u>Recommended Increase</u>	
	<u>Present</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
Service Charge:				
Single Residential Unit	\$79.05	\$68.01	-\$11.04	-14.0%

End of Appendix C

PROPOSED RESOLUTION

RES. W-4963
WATER/RSK/BMD/MZ3/ds4

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Little Bear Water Company ADOPTED QUANTITIES TEST YEAR 2013

1. Purchased Power		<u>Lower Canyon</u>	<u>Upper Canyon</u>
Vendor	Pacific Gas and Electric		
kW-hr/CCF		1.318	3.785
Adopted Usage kW-hr		161,878	252,551
Total Cost		\$31,169	\$49,746
Composite Energy Cost (\$/kW-hr)		\$0.193	\$0.197
2. Water		<u>Lower Canyon</u>	<u>Upper Canyon</u>
Sales:	CCF	96,843	52,605
Production:	CCF	189,553	
Non-Revenue Water:	%	21%	
3. Number of Service Connections		Average Number of Customers	
	<u>Meter Size</u>	<u>Lower Canyon</u>	<u>Upper Canyon</u>
	5/8 x 3/4-inch	531	154
	3/4-inch	0	0
	1-inch	0	15
	1 1/2-inch	2	3
	2-inch	1	2
	Total	534	174
4. Tax Calculation:			
Line No.	Item	State Tax	Federal Tax
1	Operating Revenue	\$ 647,447	\$ 647,447
2	O & M Expenses	\$ 354,449	\$ 354,449
3	Taxes Other Than Income	\$ 35,987	\$ 35,987
4	Depreciation	\$ 53,298	\$ 53,298
5	Interest Expense	\$ 21,114	\$ 21,114
6	Taxable Income for State Tax	\$ 182,597	
7	State Tax	\$ 16,142	
8	Taxable Income for FIT		\$ 166,456
9	Federal Income Tax		\$ 48,168
10	Total Income Tax		\$ 64,309
Franchise Rate			2%
California Corporate Franchise Rate			8.84%
Federal Income Tax Rate		1st \$50K	15%
		Next \$25K	25%
		Next \$25K	34%
		Over \$100K	39%

PROPOSED RESOLUTION

RES. W-4963
WATER/RSK/BMD/MZ3/ds4

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Little Bear Water Company Sewer Division ADOPTED QUANTITIES TEST YEAR 2013

1. Purchased Power		<u>Little Bear Water Company</u>	
Vendor		Pacific Gas and Electric	
kW-hr/connection		452.3	
Adopted Usage kW-hr		177,740	
Total Cost		\$33,553	
Composite Energy Cost (\$/kW-hr)		\$0.189	
3. Number of Service Connections			
	<u>Service Connection</u>	<u># of Connections</u>	
	Single Residential Unit	393	
	Total	393	
4. Tax Calculation:			
Line No.	Item	State Tax	Federal Tax
1	Operating Revenue	\$ 330,454	\$ 647,447
2	O & M Expenses	\$ 195,536	\$ 354,449
3	Taxes Other Than Income	\$ 17,989	\$ 35,987
4	Depreciation	\$ 25,924	\$ 53,298
5	Interest Expense	\$ -	\$ -
6	Taxable Income for State Tax	\$ 97,938	
7	State Tax	\$ 8,658	
8	Taxable Income for FIT		\$ 89,280
9	Federal Income Tax		\$ 18,605
10	Total Income Tax		\$ 27,263
Franchise Rate		2%	
California Corporate Franchise Rate		8.84%	
Federal Income Tax Rate	1st \$50K	15%	
	Next \$25K	25%	
	Next \$25K	34%	

End of Appendix D

PROPOSED RESOLUTION

RES. W-4963
WATER/RSK/BMD/MZ3/ds4

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Schedule No. 1-LC METERED SERVICE (Lower Canyon)

APPLICABILITY

Applicable to all metered water service furnished in Little Bear District (Lower Canyon).

TERRITORY

Portions of Pine Canyon and vicinity, located 3 miles southwest of King City, Monterey County.

RATES

Monthly Quantity Rate:
All water, per 100 cu. ft.

\$ 1.681

Service Charge:

Per Meter
Per Month

For	5/8 x 3/4 - inch meter	\$ 31.95
For	3/4 - inch meter	31.95
For	1 - inch meter	53.25
For	1-1/2 - inch meter	106.50
For	2 - inch meter	170.39

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge computed at the

SPECIAL CONDITIONS

1. All bills are subject to the Reimbursement fee set forth in Schedule UF.

PROPOSED RESOLUTION

RES. W-4963
WATER/RSK/BMD/MZ3/ds4

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Schedule No. 1-UC METERED SERVICE (Upper Canyon)

APPLICABILITY

Applicable to all metered water service furnished in Little Bear District (Upper Canyon).

TERRITORY

Portions of Pine Canyon and vicinity, located 3 miles southwest of King City, Monterey County.

RATES

Monthly Quantity Rate:
All water, per 100 cu. ft.

\$ 3.199

Service Charge:

Per Meter
Per Month

For	5/8 x 3/4 - inch meter	\$ 31.95
For	3/4 - inch meter	31.95
For	1 - inch meter	53.25
For	1-1/2 - inch meter	106.50
For	2 - inch meter	170.39

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge computed at the

SPECIAL CONDITIONS

1. All bills are subject to the Reimbursement fee set forth in Schedule UF.

PROPOSED RESOLUTION

RES. W-4963
WATER/RSK/BMD/MZ3/ds4

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Schedule No. SS-1 RESIDENTIAL SEWER SERVICE

APPLICABILITY

Applicable to all residential sewer service.

TERRITORY

Royal Estates Unit No. 3 and vicinity, Monterey County.

RATES

	Per Service Connection <u>Per Month</u>
For a single residential unit	\$ 68.01
For each additional single-family unit on the same premise, and served from the same service connection	\$ 68.01

SPECIAL CONDITIONS

1. The above rates apply to a service connection not larger than four inches in diameter.
2. All bills are subject to the Reimbursement fee set forth in Schedule No. UF.

End of Appendix E

PROPOSED RESOLUTION

RES. W-4963
WATER/RSK/BMD/MZ3/ds4

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CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-4963 on all parties in these filings or their attorneys as shown on the attached lists.

Dated October 23, 2013, at San Francisco, California.

/s/ DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

PROPOSED RESOLUTION

RES. W-4963
WATER/RSK/BMD/MZ3/ds4

AGENDA ID #12511
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LITTLE BEAR WATER COMPANY, INC. ADVICE LETTER NO. 27-S SERVICE LIST

Rami Kahlon, Director
Division of Water and Audits
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

City of King
212 S. Vanderhurst Avenue
King City, CA 93930

California Water Service Company
620 Broadway Street
King City, CA 93930

PROPOSED RESOLUTION

RES. W-4963
WATER/RSK/BMD/MZ3/ds4

AGENDA ID #12511
Item #7
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LITTLE BEAR WATER COMPANY, INC. ADVICE LETTER NO. 63 SERVICE LIST

Rami Kahlon, Director
Division of Water and Audits
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

City of King
212 S. Vanderhurst Avenue
King City, CA 93930

Monterey County
620 Broadway St.
King City, CA 93930

California Water Service Company
620 Broadway Street
King City, CA 93930